

Energy Policy Review Commission - Unofficial Minutes

Wednesday April 17, 2013

1:00pm – 2:30pm

Executive Office of Energy and Environmental Affairs

9th Floor OTA Conference Room

Members in Attendance:

Tom Regh	Progressive Energy Services
Bob Rio	A.I.M
Elliot Jacobson	Action Inc.
Sandra Merrick	AGO
Robert Kaufmann	Boston University

Others in Attendance:

Barbara Kates-Garnick	EEA
Louise Grabowski	Wind Wise in Massachusetts
Dan Burgess	EEA
Hinna Upal	EEA
Ben Davis	DPU
Andrew Goldberg	AGO
Jeremy McDiarmid	ENE
David Cash	DPU
Tina Halfpenny	DOER
Martha Broad	MassCEC
Aisling O'Shea	EEA
Lauren Farrell	EEA
Tim Newhart	AGO
Rita Carvalho	Action Inc.
Jodi Hanover	Rich May, P.C.
Pat Crowe	National Grid
Christos Kapsambelis	

Documents passed out:

- Agenda
- DOER Response to Tom Regh's Data Request

Introduction

Dan Burgess commenced the meeting by stating that EEA is in the process of determining the process for public comments. He said that the timeline is to be determined. Jeremy McDiarmid asked if the comments will be in response to overall issues or in response to a draft of the report. Mr. Burgess said that, in accordance with the law, the comment period is required on the overall commission; with respect to the report, the law only says that the report should be available for public review. He said that "public review" does not necessarily mean comment. Tom Regh asked how the public will know about this, and whether it will be published in the newspaper. Hinna Upal said that EEA is thinking about it and will come back with ideas.

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Presentation – “Energy Reliability, Costs, and the Regional Market”
Commissioner David Cash, DPU

Undersecretary Kates-Garnick asked where the auctions are posted, and Commissioner Cash said there are on the ISO website and traders have direct access as well. Commissioner Cash stated that the goal is to dispatch the lowest cost resource first. The objective is to minimize the total costs while keeping the system in balance. Reliability trumps costs for ISO, as required by federal law. Christos Kapsambelis asked who determines the next day price. Commissioner Cash said that ISO does, and that 80-90% is sold in the prior day. Commissioner Cash noted that demand and load mean the same thing. He went on to say that the clearing price is the cheaper power that is used first as needed; as demand goes up, you then go to more expensive sources and the price goes up. Natural gas plants usually set the price, so natural gas and electricity track together. Undersecretary Kates-Garnick stated that there is also a natural gas market.

Commissioner Cash said that the price of electricity in the market is capped, and because of the cap, the real time market cannot send signals and does not reflect the scarcity price. Therefore, the FCM assists with this limitation. Professor Kaufmann added that demand response is bid too – EnerNoc is in charge of active demand response. Utilities, as part of energy efficiency, can bid into passive demand response (which is basically energy efficiency). Mr. Regh asked what happens if we bid wrong. He noted that passive demand response has a lot of factors. Commissioner Cash stated that energy efficiency programs have heavy monitoring, including by ISO. It was noted that EnerNoc charges penalties, but not for passive demand response. It was also suggested that EnerNoc should align incentives and disincentives.

Commissioner Cash stated that there is a value to renewables even if they are intermittent. The question was posed about what happens on the hottest day, what will ISO depend on? Commissioner Cash responded that the goal is to make sure that, overall, we have enough electricity. Christos Kapsambelis asked what happens if wind bids in but it is not a windy day. Commissioner Cash responded that wind is valuable because it is cheap when it's available. He continued that when it is not a windy day, another fuel is called upon. In such instance, the wind company is not penalized, but ISO is reviewing that. A problem has recently occurred with a natural gas plant that has bid in but cannot deliver. Mr. Kapsambelis stated that he read an MIT paper saying that renewables drive prices up; Commissioner Cash stated that he would like to review that paper, as that theory does not mesh with the things he has read.

Issues related to reliability were discussed, including the need to diversify the fuel mix, and the capacity/energy used. Mr. Regh noted that we use natural gas to create electricity. Mr. Regh thinks that gas energy efficiency weatherization is getting a free ride, and that there is not enough energy efficiency savings. Tina Halfpenny responded that there is a ramp-up each year, and it is hard to motivate customers when there are such low gas prices. Additionally, C&I weatherization is needed for big changes, and C&I weatherization represents a significant investment for customers, which may not be possible for all businesses now. Ms. Halfpenny also noted that there is no more low-hanging fruit. Commissioner Cash agreed that there are challenges to weatherization. Mr. Regh stated that

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participants should be able to spend money even if it is not cost-effective. He also stated that we can't be sure of non-energy impacts, and that energy efficiency should not use the total resource cost ("TRC") test, but instead should use a PA test and not take participant costs into account. Professor Kaufmann responded that it is known that externalities are a non-zero cost. Professor Kaufmann further stated that at some level this makes economic sense, and gas should go toward the heating side.

Commissioner Cash noted that the Commonwealth is required to use renewables. The "gas-electric problem" was then discussed. This occurs, for example, on a cold day, when gas resources are used for both gas and electric. There are then constraints on the pipeline. Possible solutions for this include pay for performance; align incentives/disincentives for performance during peak times. Wind would not be good in this instance because it cannot be called on. For reliability, you need fuel diversity so that you are not vulnerable to gas price spikes and to issues like wind not blowing. Undersecretary Kates-Garnick stated that we look toward new technologies, a balanced approach, and a longer term.

Mr. Regh mentioned gas energy efficiency benefits and non resource benefits. Commissioner Cash noted that energy efficiency has been reviewed, we don't want booms and busts, and that we have confidence that Massachusetts is going as fast as we can. We look to show how active demand response has cost savings, including avoided generation. There was debate originally with ISO as to whether energy efficiency and demand response could play in the market (EE and DR won). Commissioner Cash stated that energy efficiency and demand response has made it so there is no load growth. The energy market does not take transmission into account. When there is lower energy use, there is an avoided transmission building cost. There is a DPU proceeding on creating a grid that is more reliable, both every day, at peak, and during storms.

Sandy Merrick asked how the Commission can fit this topic into the report, and how the Commission can make some recommendations. Should a recommendation be greater fuel diversity? Commissioner Cash noted that fuel diversity is a very complicated issue that ISO has spent huge resources on, and they have a report that is very detailed. Diversity is a general recommendation, but there are a lot of ways to do diversity. Commissioner Cash suggested recommending the ISO report. Professor Kaufmann noted that some fuels move together, and therefore you can have a false diversity that doesn't help protect against vulnerability.

Undersecretary Kates-Garnick noted that each participant at the Commission will have to delve into the issues that are important to him/her. There is conflicting language in the Commission's charge. At some point, people will be asked to fill in an outline and contribute to sections of the report. Undersecretary Kates-Garnick said that the Commission will likely address topics in the report, but will probably not come to consensus, since there is a diversity of opinion. The Commission will try to cull out recommendations. The Commission also has an environmental charge. Due to time constraints, the presentation on Global Warming Solutions Act was postponed.

Data Request

Data requests by Mr. Regh were addressed. Ms. Halfpenny passed out a handout, noting that it is not yet fully complete. Mr. Regh would like to review this ahead of time and come back with more questions. Ms. Halfpenny went through some of the responses, which led the reader to places to review data. Mr. Regh stated that he thinks this is too much homework for him. Ms. Halfpenny noted that there is too much data available to provide it all, and there are too many possible data points- it would

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be administratively burdensome. Ms. Halfpenny stated that information is available from many sources, and if Mr. Regh thinks the information available is not enough, then the Commission can recommend other metrics. Undersecretary Kates-Garnick addressed Mr. Regh and stated that DOER and the Commission can point him to information, but is not expected to print off reams of data. Mr. Regh stated that the information isn't useful, that the utilities should just be able to give him data. Undersecretary Kates-Garnick stated that it would be too difficult to go through everything. Ms. Halfpenny stated that the data requests from Mr. Regh are looking at just the weatherization portion of the Home Energy Services initiative of energy efficiency, which is very narrow, and the charge of the Commission is much broader. Mr. Regh stated that this is his interest and his expertise. Undersecretary Kates-Garnick advised that Commission members should come up with recommendations based on their area of expertise. Ms. Merrick asked Mr. Regh if he was concerned that the data provided by Ms. Halfpenny was not responsive. Mr. Regh noted that he had already looked at the DPU 08-50 tables. Professor Kaufmann suggested giving Mr. Regh time to review and then the Commission could discuss a few of the questions further. Undersecretary Kates-Garnick stated that the Commission will not meet its mandate if it gets pigeon-holed with this topic. Ms. Halfpenny noted that one of the responses she provided included a response to an information request by the AG's office. Ms. Merrick stated that she can answer questions about that request if needed.

Undersecretary Kates-Garnick thanked Ms. Halfpenny on her tremendous amount of work on the data request. Professor Kaufmann asked if the Commission could address his data request next to which Undersecretary Kates-Garnick replied that they could do so. She noted that due to time constraints, Aisling O'Shea would present on environmental benefits at the next meeting on May, 1.

The meeting adjourned at 2:46pm.

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